

Board of Ethics



Annual Report 2002-2003

City of Chicago
Richard M. Daley, Mayor

Dorothy J. Eng, Executive Director
Board of Ethics



BOARD MEMBERS

Darryl L. DePriest

Chair

General Counsel, American Bar Association

Appointed 1990

Eileen Corcoran

Senior Manager, Ernst & Young (Retired)

Appointed 1996

Michael F. Quirk

President, De La Salle Institute

Appointed 1996

Mary Beth S. Robinson

Senior Claims Attorney, Attorneys' Liability Assurance Society, Inc.

Appointed 2002

Miguel A. Ruiz

Partner, Pretzel & Stouffer, Chartered

Appointed 2002

City of Chicago Board of Ethics

740 N. Sedgwick, Suite 500

Chicago, IL 60610

312-744-9660

email: [**deng@cityofchicag.org**](mailto:deng@cityofchicag.org)

web address: [**www.cityofchicago.org/Ethics**](http://www.cityofchicago.org/Ethics)

BOARD OF ETHICS STAFF

Dorothy J. Eng
Executive Director

Steven I. Berlin and Michael Haggerty
Deputy Directors

John H. Mathews
Legal Counsel

Mary Rose Silva
Attorney/Investigator

Carolyn Bowens
Administrative Services Officer

Precious H. Brown
Word Processing Operator/Receptionist

Sally C. O'Brien
Staff Assistant

Pauly Sepúlveda
Executive Secretary

Jamie Schillinger
Research Analyst

Jacinta Wong
Administrative Assistant

TABLE OF CONTENTS

| | | |
|-------------|--|----|
| I. | Chair's Report | 1 |
| II. | The Board of Ethics | 3 |
| III. | The 2002-2003 Reporting Year | 5 |
| | A. Education | 5 |
| | B. Guidance and Casework | 7 |
| | 1. Numbers of Inquiries and Cases | 7 |
| | Table I: Subject Matter of Inquiries/Yearly Comparisons | 8 |
| | Table II: Subject Matter of Cases/Yearly Comparisons | 9 |
| | 2. Summaries of Relevant Inquiries and Opinions | 10 |
| | ☛ Interest in City Business | 10 |
| | ☛ Representation of Other Persons | 11 |
| | ☛ Lobbying | 11 |
| | ☛ Campaign Financing | 12 |
| | ☛ Gifts/Acceptance of Travel Expenses | 14 |
| | ☛ Statements of Financial Interests | 15 |
| | C. Regulation and Enforcement Activities | 17 |
| | 1. Campaign Financing | 17 |
| | 2. Lobbyist Registration and Activity | 17 |
| | Table III: Business Interests of Clients Represented by Lobbyists | 19 |
| | Table IV: Lobbyists and Their Clients, by City Agency | 20 |
| | 3. Statements of Financial Interests | 20 |
| | 4. Preliminary Inquiries, Investigations and Complaints | 21 |
| | Table V: Subject Matter of Preliminary Inquiries, Investigations and Complaints | 23 |
| | 5. Executive Order 97-1 Disclosures | 24 |
| | 6. Aldermanic Disclosures | 24 |
| | D. Examination of Public Filings | 25 |
| | For More Information | 26 |

Section I

CHAIR'S REPORT

"Ethics," "transparency," "social responsibility," "disclosure," "conflict of interests." These have become watchwords of the day. Many business organizations now produce annual reports describing not only their financial positions, but also their good citizenship initiatives. Whether an organization is perceived as more or less ethical has become critical to its success; whether these initiatives will actually lead to more ethical conduct is an open issue. "Transparency"-- access to information on the decision-making process previously kept private--and disclosure--of potential or actual conflicts of interests of key decision-makers--have become standards to which more and more organizations subscribe. While these are certainly laudable goals, they are merely instrumental: the true goal is to create an organization whose personnel routinely consider "ethical" issues in the everyday operational decisions they make. That end cannot be achieved without education. That has always been so in the government sector.

Hence, it is to education that the City of Chicago's Board of Ethics devotes an increasing share of its resources, though compliance, enforcement, transparency and disclosure continue to be critical. As summarized in this report, our agency has, over this past reporting year, reached a greater number of City governmental personnel than ever before, due in large part to the efficient use of the internet. Bimonthly newsletters, each covering a particular "ethics topic" in some depth, are emailed to all City employees in the City's email network. An interactive ethics training quiz and video, designed for contractors but helpful for all, has been posted on our website. Recently appointed Department Ethics Officers serve in every City department and aldermanic office. At the same time, more City employees and officials (and lobbyists) have filed disclosure statements than ever before. The amount of information available on ethics in government continues to grow. Is the Board getting its message out? A key indicator is the number of inquiries the agency receives, which has grown consistently for the last four reporting years. Another indicator is the number of persons attending ethics training for the first time, which likewise has increased year after year. But the agency's work presents an ongoing challenge, especially in the context of resource reduction, both human and financial.

The Board could not address these challenges without the dedication of its members and staff, all of whom are named in this report. I express my gratitude to each of them for their hard work.

I am confident that our agency will continue to bolster public confidence in the integrity of City government and its personnel. My hope is that we will also assist City managers and officials in providing leadership, without which no organization can create or maintain an ethically sensitive workforce. I am honored to present this Seventeenth Annual Report of the City of Chicago Board of Ethics.

Respectfully submitted,

Darryl L. DePriest, Chair

Section II

THE BOARD OF ETHICS

Agency Mission

The Board of Ethics was established in 1987 to administer and enforce the City of Chicago's Governmental Ethics and Campaign Financing Ordinances, and to conduct the educational and regulatory programs mandated by these Ordinances. The Ordinances exist to ensure that public officials and employees perform their public responsibilities impartially and independently, that public office not be used for private gain, and that the public can be confident in the integrity of its government officials and employees.

Agency Personnel

The Board's members and its Executive Director are appointed by the Mayor and confirmed by City Council. The Board meets each month and its members serve without pay. The Board also employs a staff of ten employees.

Agency Programs

Educating City employees and officials, persons who have or seek City contracts, persons who lobby City government, and the public, about the standards of conduct contained in the City's Governmental Ethics and Campaign Financing Ordinances. During this past year, the Board began to implement several new educational initiatives, which are summarized in this Report on pp. 5-6.

Providing Guidance to persons with questions about the standards of conduct contained in these Ordinances.

Regulating Conduct in accordance with the standards embodied in the Ordinances, by:

- ☞ distributing, collecting and reviewing approximately 11,800 Statements of Financial Interests filed yearly by City employees and officials;
- ☞ collecting and reviewing conflict of interest disclosures filed by City Council members;
- ☞ publishing and distributing disclosure forms filed by married employees as required by Mayoral Executive Order 97-1;
- ☞ monitoring contributions made to elected City officials and candidates for elected City office to ensure that contributors comply with the limitations imposed by the Campaign Financing Ordinance;

Section II
THE BOARD OF ETHICS

- ☞ distributing, collecting and reviewing registration statements and activity reports filed by persons who lobby City government;
- ☞ commencing preliminary inquiries and investigations based on information reported in public filings made by City employees, officials, registered lobbyists, and candidates for elected City office, and contributors thereto; and
- ☞ receiving and investigating complaints of alleged violations of the Ordinances in accordance with legally mandated procedures, and recommending or taking appropriate corrective action and/or sanctions.

Maintaining and Making Available for Public Inspection, in accordance with City and state law, Statements of Financial Interests, City Council members' disclosures, and all filings made by registered lobbyists.



NOTE

Complete texts of Chicago's Governmental Ethics and Campaign Financing Ordinances, Continuing Ethics Education newsletters, certain disclosures filed by City Council members, selected advisory opinions, and other information are on the Internet at:

www.cityofchicago.org/Ethics

They are also available directly from the Board.

THE 2002-2003 REPORTING YEAR



A. Education

A key aspect of the Board's work is educating City employees, officials and the public about the requirements of the City's Governmental Ethics and Campaign Financing Ordinances. Each year, the Board designs and conducts a variety of training classes and publishes a wide array of publications. Specific programs include:

Mandatory Ethics Training The Governmental Ethics Ordinance requires all aldermen, aldermanic staff, City Council Committee staff and senior executive service employees of the City to attend ethics training every four years. Those who fail to attend by the prescribed date are subject to a \$500 fine. Upon entering City service in any positions requiring attendance at ethics training, individuals have 120 days to attend; they must attend again every four years. The Ordinance also mandates that the Board design and conduct training for these individuals. In all, about 4,200 City employees and officials are subject to this requirement and must attend within the four-year cycle. To fulfill its legal obligations, the Board identifies persons required to attend, notifies them of their requirement, schedules them for classes, and confirms their attendance or non-attendance in writing. During the past reporting year, the Board offered over 50 classes for more than 700 City employees and officials required to attend.

Other Training Offerings The Board also offers other training opportunities for City employees and departments, and conducts classes for departments or bureaus upon request. The Board and its staff are available to consult with City departments on any matter. This past reporting year, training offered by the Board included:

- over two dozen customized classes covering the Governmental Ethics and Campaign Financing Ordinances held for City departments and offices as requested; and
- presentations to visiting dignitaries and officials from foreign countries, including Albania, Azerbaijan, the People's Republic of China, and Yugoslavia.

Publications The Board publishes and distributes a variety of publications summarizing aspects of the Ordinances of particular concern, including campaign financing, lobbying, and a guide for aldermen. Many of these publications are posted on our website; all are available upon request.

Section III

THE 2002-2003 REPORTING YEAR

Appointment of Departmental Ethics Officers In the Winter of 2002-2003, the Board coordinated the appointment and training of Ethics Officers from each City agency and aldermanic office. These officers assist the Board by distributing to employees in their departments and offices written notices informing them of legal obligations with respect to education, outside employment, post-City employment, and filing Statements of Financial Interests.

Web-based Training Programs With the cooperation and assistance of several other City departments, the Board designed and implemented several new electronic educational programs during the reporting year. In September 2002, the Board published the first of its bi-monthly **CONTINUING ETHICS EDUCATION SERIES** newsletters; as of July 31, 2003, there were 7 editions of this publication. Each focuses in-depth on a particular topic of interest. Copies of these newsletters were also sent by email to all City personnel with a City email address, posted on the Board's Website, and made available by Departmental Ethics Officers to employees in their agencies. In April 2003, an on-line ethics training program for City contractors, designed by the Board with the assistance of several other City departments, "went live." This program includes a streaming video and interactive ethics "quiz," with relevant sections of the law explained and illustrated by example.



To view the on-line ethics training video and quiz, please go to:

<http://www.cityofchicago.org/Ethics/EthicsTrainingProgram.html>

THE 2002-2003 REPORTING YEAR



B. Guidance and Casework

Much of the Board's daily work involves responding to requests for information or guidance from City employees and officials, persons from other governmental entities, lobbyists, businesses, contractors, vendors, campaign contributors and staffs, the press and the public. Requests arrive by telephone, fax, email, letter, and in person. The Board categorizes these requests as either "inquiries" or "cases."

1. Numbers of Inquiries and Cases

Inquiries: When someone seeks information, professional advice or guidance from the Board but does not request or receive a written response, the Board handles the matter as an "inquiry." This past reporting year, the Board handled over 1,870 such inquiries (a minimal increase over the number of inquiries received in the year ended July 31, 2002). Most persons contacting the Board ask whether and how the Ordinance applies to specific situations. Board staff provides general information or advice, or where appropriate, specific guidance based on previously rendered written Board advisory opinions. All inquiries are handled in accordance with the confidentiality provisions of the Governmental Ethics and Campaign Financing Ordinances.

Cases: If a person contacting the Board requests a written opinion, raises complex legal issues the Board has not yet addressed, or files a complaint, the Board may, as appropriate, render a written opinion, formally approve advice given orally, dismiss the complaint, or commence and conduct an investigation and issue a report containing determinations and recommendations (these include investigations and preliminary inquiries commenced by the Board based on public filings made by City employees and officials, registered lobbyists and committees of candidates for elected City office). All such matters are handled and resolved as "cases." Written Board opinions are used by staff in handling related future inquiries. All advisory opinions, complaints filed with the Board, and Board investigations and recommendations are confidential in accordance with the Ordinances.

This past reporting year, the Board approved oral or issued written advice in 28 cases, and issued 41 reports containing determinations or recommendations resulting from investigations. This represents a 300% increase in the number of investigations resolved over the previous reporting year, ended July 31, 2002. See Section III.C.4, on pp. 20-22 for more information on complaints and Board investigations.

Section III

THE 2002-2003 REPORTING YEAR

TABLE I Subject Matter of Inquiries/Yearly Comparisons

Table I shows the subject matter of inquiries received and handled by the Board during the reporting years ending July 31, 2001, 2002 and 2003.

|  Inquiries Received/Handled For The Years Ended July 31: | | | |
|--|-------------|-------------|-------------|
| <i>Subject Matter</i> | 2001 | 2002 | 2003 |
| Outside Employment | 44 | 46 | 43 |
| Post-Employment | 29 | 43 | 57 |
| Gifts/Travel/Honoraria | 79 | 102 | 133 |
| Interest in City Business | 25 | 44 | 32 |
| Campaign Financing | 43 | 47 | 85 |
| Lobbying Activity/Disclosure | 293 | 166 | 63 |
| Financial Interest Disclosure | 454 | 768 | 935 |
| Political Activity | 10 | 11 | 16 |
| City Property | 13 | 4 | 24 |
| Fiduciary Duty | 14 | 9 | 11 |
| Conflicts/Improper Influence | 37 | 34 | 36 |
| Money for Advice | 22 | 6 | 1 |
| Representation | 10 | 13 | 16 |
| Employment of Relatives | 15 | 13 | 17 |
| Confidential Information | 10 | 1 | 3 |
| General Information | 55 | 56 | 37 |
| No Jurisdiction¹ | 31 | 40 | 38 |
| Prohibited Conduct | 0 | 0 | 8 |
| Other | 54 | 32 | 27 |
| Classes/Education | 152 | 419 | 279 |
| Freedom of Information | 7 | 7 | 13 |

¹Where possible, the Board refers these matters to other City, governmental, or private agencies.

Section III

THE 2002-2003 REPORTING YEAR

TABLE II Subject Matter of Cases/Yearly Comparisons

Table II shows the number and subject matter of the cases resolved by the Board for the reporting years ending July 31, 2001, 2002 and 2003.

|  Cases Resolved for Years Ending July 31: | | | |
|---|-------------|-----------------------|-------------------------|
| <i>Subject Matter</i> | 2001 | 2002 | 2003¹ |
| Outside Employment | 8 | 7 | 2 |
| Post-Employment | 7 | 5 | 13 |
| Gifts/Travel/Honoraria | 7 | 14² | 5 |
| Interest in City Business | 4 | 3 | 3 |
| Campaign Financing | 18 | 25³ | 46⁴ |
| Lobbying Activity/Disclosure | 2 | 15⁵ | 3⁶ |
| Financial Interest Disclosure | 8 | 24⁷ | 6⁸ |
| City Property | 1 | 2 | 4 |
| Fiduciary Duty | 0 | 1 | 0 |
| Conflicts/Improper Influence | 0 | 2 | 2 |
| Representation | 1 | 2 | 1 |
| Employment of Relatives | 5 | 0 | 0 |
| No Jurisdiction⁹ | 5 | 7 | 12 |
| Prohibited Conduct | 1 | 0 | 0 |

¹ As in past years, these figures include all cases in which oral or written advice or opinions were issued. It also includes the 23 matters in which requests for written advice were withdrawn or complaints were referred to other agencies or dismissed before investigations were commenced or concluded, as well as 9 preliminary inquiries and 41 cases in which the Board issued written reports resulting from concluded investigations. See Table V, on page 22, for more specific information on complaints received and investigations commenced and concluded during the reporting year.

² This figure includes 4 preliminary inquiries and 4 related "Lobbyist Education" matters commenced and closed during the reporting year ending July 31, 2002.

³ This figure includes 2 preliminary inquiries commenced and closed during the reporting year ending July 31, 2002.

⁴ This figure includes 10 formal complaints received, 1 preliminary inquiry and 1 investigation commenced during the previous reporting year.

⁵ This figure includes 6 preliminary inquiries (pertaining to lobbyist agreements and fees) closed during the reporting year ending July 31, 2002, one of which was commenced during the reporting year ending July 31, 2001. It also includes 4 "Lobbyist Education" matters commenced and closed during the reporting year ending July 31, 2002.

⁶ This figure includes 1 preliminary inquiry (pertaining to lobbyist agreements and fees) commenced during the previous reporting year but closed in the one just completed.

⁷ This figure includes 16 preliminary inquiries commenced and closed during the reporting year ending July 31, 2002, each pertaining to information reported by City employees and officials on their 2001 Statements of Financial Interests.

⁸ These cases were commenced in the previous reporting year, but closed in the one year just completed.

⁹ Where possible, the Board referred these matters to other City, governmental, or private agencies.

THE 2002-2003 REPORTING YEAR

2. Summaries of Relevant Inquiries and Opinions

The following summaries are based on actual inquiries received, responses given, and written opinions rendered. They are included for educational purposes only and are not intended to constitute legal advice. The only persons who may rely on Board opinions are those involved in the specific situations described in the opinions, or in situations that are materially indistinguishable from them. Anyone with questions about specific situations should contact the Board for personal guidance.

The Board can render advisory opinions when requested in writing by officials, employees or any persons directly and personally involved. Board opinions concern only the application of the City's Governmental Ethics and Campaign Financing Ordinances to the facts presented in the opinion, and do not include analysis of other rules or laws that may apply.

The Board handles all inquiries in accordance with the confidentiality requirements of the Ordinances. Copies of Board opinions, with identifying and other confidential information removed, are available on request. To the extent that these summaries differ from the language of the Ordinances or Board opinions, the language in the Ordinances and opinions controls.

Interest in City Business

Situation: A City employee has established a non-profit corporation, and is its sole member. She asks whether the non-profit corporation may apply for \$11,000 in grants from an organization that is funded and managed through a City department. The grant funds would be used to operate a social services program in her neighborhood. The grant agreement would be between the non-profit corporation and the organization; the City would not be party to it.

Law: **The Governmental Ethics Ordinance prohibits City employees and elected officials from having a "financial interest" in their own or another's name in any contract, work or business of the City, or in the sale of any article, if the contract, work, business or sale is paid with funds belonging to or administered by the City. The Ordinance defines "financial interest" as any interest: (i) as a result of which the owner currently receives or is entitled to receive in the future more than \$2,500 per year; (ii) with a cost or present value of \$5,000 or more; or (iii) that represents more than 10% of a corporation, partnership, enterprise or other legal entity organized for profit.**

Section III

THE 2002-2003 REPORTING YEAR

Resolution: Because the grant money for which this employee's non-profit corporation would apply comes entirely from the City, the grant agreement would be "a contract, work or business of the City," even though the City is not itself a signatory to the agreement. Therefore, if the non-profit were to receive \$5,000 or more in funds from this program, she would have a prohibited financial interest in City business. This holds true regardless whether she would receive the funds as an individual, or via her non-profit corporation, of which she is the sole member.

Representation of Other Persons

Situation: A City employee serves, without compensation, as President of a non-profit organization that receives grant funding from the City. The Organization's grant agreement with the City is due for a renewal. The employee asks whether the Ordinance prohibits him from re-negotiating this agreement, or signing it if awarded.

Law: **The Governmental Ethics Ordinance prohibits City employees from representing, or having an economic interest in the representation of, any person other than the City in any formal or informal proceeding or transaction before any City agency in which the agency's action is non-ministerial.**

Resolution: "Representation" includes a broad range of activities where one person acts as a spokesperson for another, such as making personal appearances before City agencies on behalf of others, making telephone contact with City employees and officials on behalf of others and submitting written requests and proposals to City agencies on behalf of others. Negotiating and administering City contracts are non-ministerial acts involving discretion and judgment. Therefore, the Ordinance prohibits this employee from re-negotiating or signing the organization's City grant agreement. The Ordinance makes no exception for City employees who would represent non-profit entities, or for City employees who receive no compensation for their representation or position with non-profit entities.

Lobbying

Situation: The Vice President of an entity registered as a 501(c)(3) non-profit organization meets with employees of several City departments to discuss the City's potential purchase of equipment manufactured by the entity. On the recommendation of these City employees, the VP contacts the Board and asks whether he must register as a lobbyist.

Section III

THE 2002-2003 REPORTING YEAR

Law: The Governmental Ethics Ordinance requires all "lobbyists" to register annually with the Board. It defines "lobbyist" as any person who, on behalf of any person other than himself, or as any part of his duties as an another's employee, undertakes to influence any "legislative" or "administrative" action, including but not limited to the preparation of contract specifications; the solicitation, award or administration of a contract; the award or administration of any agreement involving the disbursement of public monies; or any other determination made by a City official or employee with respect to the procurement of goods, services or construction. It provides certain exceptions to the term "lobbyist." "Administrative action" is defined, in relevant part, as any decision on, or proposal, consideration, enactment or making of any rule, regulation, or other official non-ministerial action or non-action by an executive department or official or employee of an executive department.

Resolution: The Ordinance provides that an employee, officer or director of a non-profit entity who seeks to influence "legislative" or "administrative" action on behalf of the entity shall not be considered a lobbyist for purposes of the Ordinance. Because this individual is an officer of a non-profit entity, he is not a "lobbyist" if acting on the entity's behalf, and he is not required to register as one. This is so even if his meeting with these City employees regarding the potential purchase of equipment was an attempt to influence an "administrative" action.

Campaign Financing

Situation 1: A company had a contract with the Chicago Transit Authority for consulting services; the contract's term was from January 1 through June 30, 2001, when it expired. The contract amount was \$50,000. A company representative asks whether contributions the company would like to make to elected City officials (or candidates for elected City office) are subject to the limitations in the City's Campaign Financing Ordinance.

Law: The Campaign Financing Ordinance limits at \$1,500 the amount of contributions that certain persons or business entities may make to: 1) candidates for elected City office during a single candidacy; 2) elected City officials during a "reporting year" (July 1 through June 30); and 3) City officials or employees seeking election to any other office. The Ordinance also prohibits any person from making a cash contribution to any candidate in an amount exceeding \$250.

Section III

THE 2002-2003 REPORTING YEAR

Resolution: Yes, this company is subject to the Ordinance's contribution limitations as to contributions it would make to any of the 53 elected City officials or to any candidates for elected City office, and it will remain subject to the limitations through the "reporting year" that ends on June 30, 2005. That is because the Ordinance imposes these contribution limitations on (among others) persons who have done business with the City or with certain other named agencies (including the CTA), within the preceding four "reporting years." "Doing business" means any one or combination of sales, purchases or contracts to, from or with the City or these other entities in amounts greater than \$10,000 in any 12 month period. Therefore, this company has done business with the CTA within the preceding four reporting years, and is subject to the Ordinance's contribution limitations until July 1, 2005.

Situation 2: A lobbyist registered with the Board asks whether her husband would be subject to the Ordinance's \$1,500 campaign contribution limitations to elected City officials and others. She says that he is not involved in her occupation or business, and is not himself a registered lobbyist.

Law: **Among the persons subject to the limitations on contributions imposed by the Campaign Financing Ordinance are registered lobbyists.**

Resolution: Determining whether a registered lobbyist's spouse is subject to these contribution limitations depends on the facts. The lobbyist's spouse would not be subject to the Ordinance's limitations simply by being the spouse of a registered lobbyist (although the lobbyist is so subject). And, he would not be subject to these limitations as long as he himself: 1) is not doing business with the City or any of the other named governmental entities; 2) has not done business with the City or any of the other named governmental entities within the preceding four "reporting years"; 3) was not "seeking to do business" with the City or any of the other named governmental entities within 6 months of the contribution; or 4) is not making the contribution in his wife's name or being reimbursed by her (or her business) for it.

Situation 3: A lobbyist registered with the Board asks whether her lobbying client is subject to the Ordinance's \$1,500 campaign contribution limitations to elected City officials and others.

Section III

THE 2002-2003 REPORTING YEAR

Law: Among the persons subject to the limitations on contributions imposed by the Campaign Financing Ordinance are registered lobbyists.

Resolution: Again, it depends—the client would not be subject to these limitations simply by being the client of a registered lobbyist (although the lobbyist is so subject). The client would be subject to these limitations, however, if it: 1) is doing business with the City or any of the other named governmental entities; or 2) has done business with the City or any of the other named governmental entities within the preceding four "reporting years"; or 3) was "seeking to do business" with the City or any of the other named governmental entities within 6 months of the contribution.

Gifts/Acceptance of Travel Expenses

Situation 1: A City employee asks whether the Ordinance prohibits him from accepting an invitation from a departmental vendor. The vendor offered to pay his travel expenses (including round-trip airfare, hotel and lodging) to attend the vendor's annual customers' conference where he would speak on the City's experience with the vendor's products. All of the vendor's customers were invited, as was the general public. The employee's department viewed the conference as an opportunity to gain knowledge so that the City could more efficiently use these products.

Law: The Ordinance makes an explicit allowance for City employees and officials to accept hosting or travel expenses, provided the expenses are: 1) reasonable; 2) furnished in connection with a public event or appearance related to official City business; and 3) offered by the sponsor of the public event.

Resolution: The Ordinance does not prohibit him from accepting the invitation. Here, the expenses are reasonable, furnished in connection with a public event that is related to official City business, and offered by the vendor, which is the sponsor of the event. This employee was reminded, though, that all travel expenses he accepts must be reasonably related to the business purpose of the trip, and may not be made or accepted in exchange for his willingness to influence decisions affecting the company's City business.

Situation 2: A City vendor asks whether the Ordinance prohibits it from offering dinner at a local restaurant to a group of City employees to celebrate the installation of the vendor's product in various City departments (or

Section III

THE 2002-2003 REPORTING YEAR

whether the Ordinance prohibits these employees from accepting the offer). The City employees are in a position to make decisions or take actions affecting the vendor's contract and ongoing City business.

Law: **The Governmental Ethics Ordinance prohibits offering, giving, and accepting anything of value based on a mutual understanding that the receiving City employee's or official's City decisions or actions would be influenced. It also prohibits persons with an economic interest in a specific City business or transaction from giving cash or gifts to City officials or employees whose decisions or actions may substantially affect that transaction, and prohibits these officials or employees from accepting such gifts, though this prohibition does not apply to an occasional non-monetary gift of nominal value (less than \$50).**

Resolution: Each of these City employees is in a position to affect this vendor's City business. Therefore, so long as: 1) the value of the dinner to each City employee comes to less than \$50; and 2) the dinner offer is not made or accepted based on any mutual understanding that team members' official actions, decisions or judgments concerning the vendor's City business would be affected by the offer, then the Ordinance neither prohibits the vendor from making this offer, nor team members from accepting it.

Statements of Financial Interests

Situation 1: A City employee inherited a house located in Wisconsin (of course, the house was not her principal residence), and sold it in 2002. She asks whether she must disclose it as a capital gain on her 2003 Statement.

Law: **Article 2 of the Governmental Ethics Ordinance requires City employees who are compensated by the City for services per year at or above a specified rate (in 2003, the rate was \$64,600), or who occupy a City position budgeted for annual compensation at or above that rate, and certain City officials, to file a Statement of Financial Interests. On their Statements, they must disclose information about their outside business interests and sources of income in the current and prior calendar year. One of the disclosures required is the identity of any capital asset from which the filer realized a capital gain in the previous year of \$5,000 or more (except the sale of the filer's principal place of residence).**

Resolution: It depends—if, as a tax accounting matter, the house qualifies as a capital asset, and, in 2002, she realized a gain from its sale of \$5,000 or more, then she must identify the sale of the house on her 2003 Statement. This

Section III

THE 2002-2003 REPORTING YEAR

is true regardless of whether the house is located in or outside of Chicago. The Ordinance does not require her to disclose the amount of any capital gain she realized, but rather, only to "identify the capital asset" from which the gain was realized.

Situation 2: A City employee is the sole owner of a home remodeling firm, which he operates from his house. His firm has not had or sought any contracts, jobs or work from the City of Chicago or any of its "sister agencies" (i.e. the Chicago Park District, Chicago Public Schools, Chicago Transit Authority, Chicago City Colleges or Metropolitan Pier and Exposition Authority). He asks whether he must disclose his interest in this business on his 2003 Statement of Financial Interests.

Law: Among the disclosures required on the Statement of Financial Interests, a filer must (in Question #7) state the name of, and instrument of ownership in, any person conducting business in the City, if the filer had a financial interest in that person during the previous calendar year. Also, a filer must (in Question #2) disclose the name, address and type of business in which he or she was an officer, director associate, partner, proprietor, employee or advisor, if he or she derived more than \$2,500 in income from it in the previous year.

Resolution: Because this employee owns more than 10% of his firm, he has a "financial interest" in it. Thus, in Question 7, "Business Ownership," he must disclose his firm's name, address and the type of business it is, because it "conducts business in Chicago" (this is true even though the firm has no work or contracts or business "with the City"). And, if he derived more than \$2,500 in income from the firm in 2002, then he must disclose the firm's name, address, the type of business it is, and his position with it, in Question 2, "Other Income."

THE 2002-2003 REPORTING YEAR



C. Regulation and Enforcement Activities

1. Campaign Financing

The City's Campaign Financing Ordinance limits the amount of money that certain persons may contribute during a political reporting year (July 1 through June 30) to candidates for elected City office, elected City officials, and City employees and officials seeking election to any other office. These persons are: 1) lobbyists registered with the Board; 2) persons who, within the last four political reporting years, have done business with the City or one of its sister agencies; and 3) persons seeking to do business with the City or a sister agency.

The Board monitors contributors' compliance with these limitations by reviewing campaign financing disclosure reports candidates' political committees file with the County Clerk pursuant to state law. The Board compares these reports with City and sister agency contract records, matters referred to the City Council and/or Council committees, and lobbyists' registration statements filed with the Board. During the past reporting year, the Board reviewed over 2,000 disclosure reports and 55,000 pages of City Council and committee matters. As a result, the Board initiated 64 investigations and 7 preliminary inquiries into possible violations by campaign contributors. Two preliminary inquiries resulted in the contributor voluntarily initiating corrective prior to a Board determination; the other 5 remained pending as of July 31, 2003. Of the 64 investigations commenced by the Board, 62 resulted in determinations that the contributor had exceeded the Ordinance's contribution limitations, thereby requiring corrective action. The remaining 2 investigations were dismissed based on information subsequently gathered. As of July 31, 2003, corrective action had been accomplished in 32 of the 62 instances in which it was indicated; in 24 cases, corrective action had been initiated but not achieved. The Board also effected corrective action in and concluded 1 investigation it had initiated in the previous reporting year; in that case the Board determined that the contributor had violated the Ordinance's contribution limitations.

2. Lobbyist Registration and Activity

The Board of Ethics regulates persons who lobby City government. Article 3 of the Ethics Ordinance requires all lobbyists to register with the Board each January 20, and file reports about their lobbying activities with the Board each January 20 and July 20. Persons whom the Board of Ethics determines have failed to register as lobbyists as required are subject to fines, as are persons who retain or employ lobbyists who have failed to register as required. City contracts performed or entered into with any persons who have retained or employed a non-registered lobbyist for the purpose of negotiating, soliciting or otherwise seeking the contract, shall be voidable as to the City.

Section III

THE 2002-2003 REPORTING YEAR

In their filings, lobbyists are required to identify their clients, list their lobbying-related compensation and expenditures, the City agencies they lobby, and which legislative and administrative actions are the focus of their lobbying activity, provide itemized lists of gifts they have given to City officials and employees, and furnish a copy of any written agreement of retainer or employment pursuant to which they lobby or a written statement of the substance of any oral agreement pursuant to which they lobby.

In accordance with state law and the Governmental Ethics Ordinance, all lobbyists' filings are available for public inspection and duplication. The Board of Ethics maintains lobbyist filings for seven years following the date of filing.

Who is registered?

Number of lobbyists

- ☞ As of July 31, 2003, there were 297 lobbyist registration statements on file. These statements identified 533 individuals associated with or employed by these lobbyists.

Lists of lobbyists and their clients

- ☞ The Board maintains a regularly updated list of registered lobbyists and their clients on its Website. To view the list, see <http://www.cityofchicago.org/Ethics/Lobbylist/Lobbylist/Final.html> or call the Board at 312-744-9660.

Lobbying-related expenditures and compensation

On their semi-annual activity reports, lobbyists must disclose lobbying-related compensation they have received from their clients, and lobbying-related expenditures that they made or charged to their clients. Reports show that the total amount of lobbying-related compensation registered lobbyists received from their clients was over \$6.8 million for the last six months of 2002 ("1st Period"), and over \$6.76 million for the first six months of 2003 ("2nd Period"). The reports also show that the total amount of lobbying-related expenditures paid by lobbyists or charged to their clients was \$190,732 in the 1st Period, and \$35,071 in the 2nd.

Gifts reported by lobbyists

On their semi-annual activity reports, lobbyists must provide itemized lists of gifts they have given to City employees and officials during the reporting period. Filed reports show that, during the 1st Period, 18 lobbyists gave 248 gifts to 178 City employees and officials, and that the total value of all gifts given was \$21,510. During the 2nd Period, 11 lobbyists gave 68 gifts to City employees and officials, and the total value of all gifts given was \$11,133.

Section III

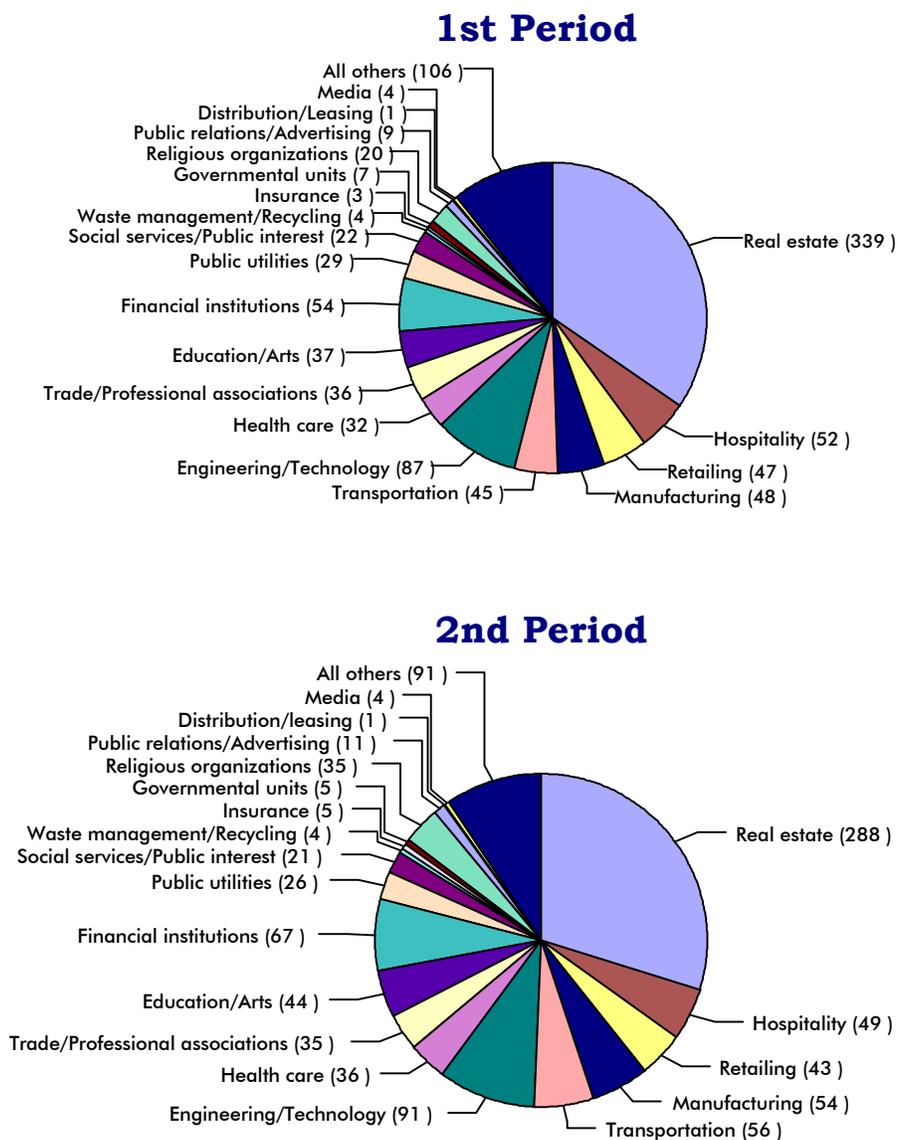
THE 2002-2003 REPORTING YEAR

Who retains lobbyists?

The Governmental Ethics Ordinance requires registered lobbyists to disclose the name and business interests of all clients on whose behalf they lobbied during the six months prior to filing their semi-annual activity reports.

TABLE III Business Interests of Clients Represented by Lobbyists

The following table shows the number of clients, by the clients' business interests, who were represented by lobbyists during both the 1st and 2nd periods.



Section III

THE 2002-2003 REPORTING YEAR

Which City agencies were lobbied?

Registered lobbyists must list the City agencies they lobbied on behalf of their clients during the six months prior to filing their semi-annual activity reports. Filings show that, for the twelve-month period ended June 30, 2003, the City agencies before which lobbyists represented the greatest number of clients were the City Council, the Mayor's Office, and the Departments of Planning & Development, Zoning and Law.

TABLE IV Lobbyists and Their Clients, by City Agency

The following table shows, for both the 1st and 2nd periods, the number of lobbyists who reported activity before the 12 City agencies and departments that were the subject of the most lobbying activity. The table also indicates the number of clients these lobbyists represented before those agencies and departments in each period.

| City Agency | Reporting Activity Number of Lobbyists | | They Represented Number of Clients | |
|--------------------------|---|-------------------|---------------------------------------|-------------------|
| | <u>1st Period</u> | <u>2nd Period</u> | <u>1st Period</u> | <u>2nd Period</u> |
| City Council | 59 | 55 | 281 | 265 |
| Planning & Economic Dev. | 48 | 52 | 259 | 239 |
| Mayor's Office | 32 | 31 | 78 | 73 |
| Transportation | 28 | 31 | 78 | 73 |
| Law | 22 | 21 | 90 | 67 |
| Aviation | 39 | 29 | 69 | 59 |
| Zoning | 22 | 20 | 82 | 62 |
| Buildings | 23 | 23 | 69 | 47 |
| Revenue | 18 | 18 | 56 | 35 |
| Committee on Zoning | 06 | 07 | 61 | 52 |
| Plan Commission | 07 | 10 | 49 | 43 |
| Zoning Board of Appeals | 11 | 07 | 41 | 50 |

3. Statements of Financial Interests

Certain City employees and officials are required to file Statements of Financial Interests with the Board of Ethics each spring, in accordance with Article 2 of the Ethics Ordinance. The Board distributes, collects, and reviews these Statements for compliance with the Governmental Ethics Ordinance.

Section III

THE 2002-2003 REPORTING YEAR

In calendar year 2003, approximately 11,800 City employees and officials were required to file Statements of Financial Interests. This figure represents a 33% increase over the number of persons required to file in calendar year 2002. The majority of these filers must file with the Board by May 31, 2003, or be in violation of the Ordinance. Individuals required to file by May 31 but who actually file after May 1 were required to pay the \$20 late filing fee mandated by the Ordinance. During the reporting year, the Board collected over \$9,600 in late filing fees; this figure represents a 73% increase over the amount collected during the previous reporting year.

During the reporting year, the Board closed 6 investigations (each commenced in the previous reporting year) of City employees who had failed to file their Statements by the May 31, 2002 deadline, having determined that each of them had violated the Ordinance. As of July 31, 2003, 70 employees had not yet filed their 2003 Statements as required.

4. Preliminary Inquiries, Investigations and Complaints

The Board has the authority to receive complaints and conduct investigations and inquiries into alleged violations of the Ordinances, issue subpoenas during the course of investigations, and recommend or impose appropriate sanctions or corrective actions if it determines that a violation has occurred. All Board complaints, inquiries, investigations, reports and recommendations are subject to the confidentiality requirements of the Ordinances.

Preliminary Inquiries

Each year the Board reviews information disclosed on public documents filed with it (and with the Cook County Clerk's Office) by City officials, employees, lobbyists registered with the Board, and candidates for elected City office. These documents include Statements of Financial Interests, Lobbyist Registration Statements and Activity Reports, Aldermanic disclosures and campaign contribution reports. If, based on the Board's review, a possible violation of the Governmental Ethics or Campaign Financing Ordinance is indicated, the Board commences a preliminary inquiry. Based on a preliminary inquiry, the Board may find there is reasonable cause to believe that one or more provisions of the Ordinances may have been violated, in which case it initiates an investigation; the Board may also close the inquiry on the basis that no reasonable cause exists to believe there is a potential violation, and may advise the subject of the relevant provisions and penalties contained in the Ordinances.

➔ Statements of Financial Interests

During the reporting year, the Board did not commence any preliminary inquiries based on its review of the Statements of Financial Interests filed by City employees and officials.

Section III

THE 2002-2003 REPORTING YEAR

➔ Lobbyists' Filings

During the reporting year, the Board did not commence any preliminary inquiries based on its review of information disclosed in filed Lobbyist Registration Statements and Activity Reports. The Board closed the one remaining preliminary inquiry (pertaining to a prohibited contingent lobbying fee) that it had commenced in the previous reporting year, without initiating an investigation.

➔ Disclosures filed by City Council Members

The Board commenced no preliminary inquiries based on its review of disclosures filed by City Council members.

➔ Campaign Financing Reports

Based on its review of campaign contribution reports filed with the County Clerk's office, City contract records and matters referred to City Council Committees, the Board commenced 7 preliminary inquiries into whether certain campaign contributors had violated the City's Campaign Financing Ordinance. Two of these resulting in the contributor voluntarily initiating corrective action prior to a Board determination; the other 5 remained pending as of July 31, 2003. (see Section III.C.1, on page 16 for more information).

Concluded Investigations

As summarized in Table V, below, during the reporting year, the Board concluded 6 investigations against City employees and officials who, it determined, violated the Ordinance by failing to file Statements of Financial Interests by the time prescribed by law (all of these investigations were initiated during the previous reporting year). With respect to the Campaign Financing Ordinance, the Board initiated 64 investigations, and in 62 cases determined that contributor had violated the Ordinance (the remaining 2 cases were dismissed based on information subsequently gathered); as of July 31, the Board had effected corrective action in and concluded 32 of these 62 cases. The Board also effected corrective action in and concluded the 1 Campaign Financing investigation remaining from the previous reporting year. See above, Section III.C.1, page 16, for more information.

Filed Complaints

During the reporting year, 28 complaints were filed with the Board. Three of these alleged violations involving the unauthorized use of City property, 10 alleged violations of the Campaign Financing Ordinance by candidates and campaign contributors, and the

Section III

THE 2002-2003 REPORTING YEAR

remaining 15 raised issues outside the Board's jurisdiction (though, where possible, the Board referred complainants to other appropriate agencies or persons). As required by law and the Board's Rules and Regulations, the Board reviewed each complaint to determine whether there was reasonable cause to initiate an investigation into the allegations. The Board commenced 4 investigations (each based on a complaint alleging violation of the Campaign Financing Ordinance) and determined that the Ordinance had been violated in 3 of these cases, but not in the fourth, dismissed 7 complaints for lack of jurisdiction, dismissed 9 for failure to establish reasonable cause, and referred 7 to other City departments for appropriate action. The last remaining complaint was not resolved as of July 31, 2003.

TABLE V Subject Matter of Preliminary Investigations, Investigations and Complaints

Table V shows the subject matter of complaints received, preliminary inquiries commenced and/or concluded, investigations initiated and investigations concluded by the Board during the reporting year just ended.

| Subject Matter | Formal Complaints Received | Preliminary Inquiries Commenced/Concluded | Investigations Commenced | Investigations Concluded |
|----------------------------------|----------------------------|---|--------------------------|--------------------------|
| City Property | 3 | - | - | - |
| Financial Interest/Disclosure | - | - | - | 6 ¹ |
| Campaign Financing | 10 | 7 ² | 64 | 35 ³ |
| Lobbyist Registration/Disclosure | - | 1 ⁴ | - | - |
| No Jurisdiction | 15 | - | - | - |
| Total | 28 | 8 | 64 | 41 |

¹ All were commenced in the previous reporting year, but concluded in this one.

² Two of these preliminary inquiries resulted in the contribution voluntarily initiating corrective prior to a Board determination; the other 5 remained pending as of the end of the reporting year.

³ This figure includes 1 investigation commenced in the previous reporting year, but concluded in this one.

⁴ This figure represents a preliminary inquiry commenced in the previous reporting year, but concluded in this one.

THE 2002-2003 REPORTING YEAR

5. Executive Order 97-1 Disclosures

Mayoral Executive Order 97-1, effective December 1, 1997, imposes restrictions on the conduct of employees in all executive departments, the Mayor's Office, the Mayor's security detail and City department heads. It requires that employees in executive departments make written disclosure to the Board of Ethics each year of their spouses' ownership interest in entities that contract with persons doing City business.

In this past reporting year, the Board published the disclosure form (it is also posted on the Internet), coordinated its distribution to approximately 23,000 married City employees, collected the returned forms, and referred to the Law Department 9 forms requiring further review.

6. Aldermanic Disclosures

The Conflicts of Interest provision of the Governmental Ethics Ordinance requires members of City Council to file written disclosure with the Board of Ethics with respect to matters pending before the City Council or its committees, and to disclose their interests in these matters on the records of Council proceedings and abstain from voting on these matters. The Board regularly reviews records of Council proceedings and other documents to ensure compliance with the law. As provided by law, the Board also reviews, maintains and makes these disclosures available for public inspection upon request. In the reporting year ended July 31, 2003, the Board received 34 of these disclosures*, covering 152 distinct pending matters or items.

*The Board also received one additional copy of 16 of these 34 disclosures; in these 16 instances, the first copy received was a faxed version, and the second one an "original" of the same disclosure.



Note: Scanned copies of all disclosures filed by City Council members received by the Board during the most recent 4 month period are posted on the web. See:

www.cityofchicago.org/Ethics/DisclosuresNotifications.html

THE 2002-2003 REPORTING YEAR



D. Examination of Public Filings

In accordance with state law and City Ordinance, Statements of Financial Interests, aldermanic disclosures, advisory opinions and lobbyist filings maintained by the Board of Ethics are available for public examination and duplication.

During the 2002-2003 reporting year, the Board received 15 requests to examine Statements of Financial Interests filed by 15 City employees and officials, no requests to examine aldermanic disclosures, and 13 requests to examine a total of 29 filings made by 12 separate lobbyists.

FOR MORE INFORMATION

Board of Ethics staff members are available to answer any inquiries you may have about the Board, or to provide you with guidance about the requirements of the City's Governmental Ethics or Campaign Financing Ordinances. To reach us, please call 312-744-9660 (TT/TDD 312-744-5996), send us a FAX at 312-744-2793, or an email at deng@cityofchicago.org

To obtain an advisory opinion or guidance about a specific situation, or to file a complaint, please contact **Dorothy J. Eng, Executive Director**, or write or stop in to the Board's office:

CITY OF CHICAGO BOARD OF ETHICS
740 North Sedgwick, Suite 500
Chicago, Illinois 60610

Also, please visit our web site: www.cityofchicago.org/Ethics

There, you will find complete texts of the Governmental Ethics and Campaign Financing Ordinances, profiles of Board members, the current list of registered lobbyists and their clients, blank downloadable copies of all forms required to be filed with the Board, Continuing Ethics Education Newsletters, disclosures filed by City Council members regarding potential conflicts of interests and the Board's last three Annual Reports and other helpful information.